

Normal Temperature Adjustment (NTA)

On December 6, 2006 the Indiana Utility Regulatory Commission approved the use of a Normal Temperature Adjustment (NTA) for Lawrenceburg Gas. The adjustment applies to usage during the heating season of October to April of each year. **The intent of the adjustment is to eliminate dramatic changes in gas usage and charges that are tied to changes in weather patterns.** The adjustment is calculated by looking at the weather between meter read dates for each heat sensitive customer and comparing this weather to the normal weather for that same time period. Normal weather is the 30 year average. The adjustment is applied to both warmer than normal and colder than normal weather periods. In a colder than normal period a customer's usage will be decreased to reflect what they would have used had the weather been normal and in a warmer than normal period a customer's usage will be increased to reflect what they would have used had the weather been normal. The weather station we use for our weather information is located at the airport in Covington, KY.

The NTA only applies to heat sensitive customers and it only adjusts that portion of their use that is for heating. Most industrial consumers will be excluded from the NTA. For each customer we will calculate their "Base Load Usage". Base load is the usage in July and August. By using the months when gas is not used for heating we can calculate what a customer normally uses for cooking, heating water, drying clothes, etc. The assumption is that this type of use is pretty constant year round and not subject to any change in the weather. The next step is to subtract the base load from the actual usage for a billing period during the heating season. This sum is the heat sensitive portion of that customer's gas use.

Normal weather is based on heating degree days. The relevant heating degree days for each customer occur on the days between meter reads. One heating degree day is calculated for each degree that day's average temperature is below 65 degrees. If the average temperature for January 2 was 55 degrees then we would record 10 degree days for that day. Next, **we add up the actual number of degree days during the billing period and compare that to the historical number of degree days during the billing period.** The difference tells you if it was warmer or colder than normal. For example, if the average number of degree days for a period is 900 and the actual is 700 than it was a warmer than normal period. The opposite is that if the actual was 1000 compared to a normal number of 900 the period was colder than normal.

The NTA adjustment is calculated for each customer by multiplying their average heat sensitive load per each actual degree day of the billing cycle by the difference between the actual degree days and the normal degree days for the period. **The adjustment is only made to the distribution part of a customer's charges. In no way is a customer being charged for more or less actual gas than they use.**

They are only being charged more or less for the cost of distributing that gas to their homes. In other words if a customer uses 100 ccf in a billing period and that period turns out to be warmer or colder than normal the customer will pay for only 100 ccf of actual gas but they will pay a little more or less for the cost of getting that gas to their homes based on the weather. **If a customer's bill is \$100 for a billing period before adjustments for weather approximately \$20 of that total will be adjusted.** Adjustments will probably be between -30% and +30%. This means that for the customer example above their bill could be between \$94 and \$106 as compared with \$100 depending on actual weather.

Lawrenceburg Gas Company
January 10, 2007